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105TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
105–287

REPORT

ON THE

REVISED SUBDIVISION OF BUDGET TOTALS FOR FISCAL YEAR 1998

together with

ADDITIONAL VIEWS

SUBMITTED BY MR. LIVINGSTON, CHAIRMAN, COMMITTEE ON APPROPRIATIONS

OCTOBER 1, 1997.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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(II)

LETTER OF SUBMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON APPROPRIATIONS,
Washington, DC, October 1, 1997.

Hon. NEWT GINGRICH,
The Speaker, U.S. House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: By direction of the Committee on Appropriations, I submit herewith the Committee's report on revised subdivision of budget authority and outlays for fiscal year 1998 pursuant to section 302(e) of the Congressional Budget Act of 1974, as amended, which was ordered by the Committee on September 23, 1997.

This revised subdivision is necessary to proceed with conference on the remainder of the fiscal year 1998 appropriations bills.

The following subdivision is consistent in all instances with the Budget Resolution.

Sincerely,

BOB LIVINGSTON,
Chairman.

(III)

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REPORT ON THE REVISED SUBDIVISION OF BUDGET TOTALS FOR FISCAL YEAR 1998

OCTOBER 1, 1997.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. LIVINGSTON, from the Committee on Appropriations, submitted the following

REPORT

REPORT ON THE REVISED SUBDIVISION OF BUDGET TOTALS FOR FISCAL YEAR 1998

The Committee on Appropriations submits the following report on the subdivision of budget totals for fiscal year 1998 pursuant to section 302(e) of the Congressional Budget Act of 1974, as amended.

REVISED SUBDIVISIONS TO SUBCOMMITTEES, FISCAL YEAR 1998 BUDGET AUTHORITY AND OUTLAYS

[In millions of dollars]

Subcommittee	Discretionary: General Purpose	Discretionary: Crime Trust Fund	Mandatory	Total
Agriculture, Rural Development, Food and Drug Administration:				
Budget authority	13,751	....	35,048	48,799
Outlays	13,997	....	35,205	49,202
Commerce-Justice-State-Judiciary:				
Budget authority	26,026	5,225	522	31,773
Outlays	25,627	3,401	532	29,560
District of Columbia:				
Budget authority	835	....	....	835
Outlays	537	....	....	537
Energy and Water Development:				
Budget authority	20,793	....	....	20,793
Outlays	20,893	....	....	20,893
Foreign Operations:				
Budget authority	12,800	....	44	12,844
Outlays	13,060	....	44	13,104
Interior:				
Budget authority	13,100	....	55	13,155
Outlays	13,472	....	50	13,522
Labor, Health and Human Services, and Education:				
Budget authority	80,045	144	206,611	286,800
Outlays	76,036	65	209,167	285,268
Legislative:				
Budget authority	2,251	....	92	2,343
Outlays	2,251	....	92	2,343
Military Construction:				
Budget authority	9,183	....	....	9,183
Outlays	9,920	....	....	9,920
National Security:				
Budget authority	247,516	....	197	247,713
Outlays	244,263	....	197	244,460
Transportation:				
Budget authority	12,411	....	698	13,109
Outlays	37,204	....	665	37,869

REVISED SUBDIVISIONS TO SUBCOMMITTEES, FISCAL YEAR 1998 BUDGET AUTHORITY AND OUTLAYS
Continued
[In millions of dollars]

Subcommittee	Discretionary		Mandatory	Total
	General Purpose	Crime Trust Fund		
Treasury-Postal Service:				
Budget authority	12,606	131	12,713	25,450
Outlays	12,380	126	12,712	25,218
VA-HUD-Independent Agencies:				
Budget authority	69,616	....	21,332	90,948
Outlays	80,001	....	20,061	100,062
Emergency Reserve:				
Budget authority	207	....	....	207
Outlays	196	....	....	196
Grand total:				
Budget authority	521,140	5,500	277,312	803,952
Outlays	549,837	3,592	278,725	832,154

SBDV 98-7

ADDITIONAL VIEWS OF HON. DAVE OBEY

The adoption of 302b allocations is one of the most important actions taken by this committee during the course of the yearly budget cycle. It is the first step in converting the largely incomprehensible macro numbers of a budget resolution into the final spending decisions that affect the daily lives of virtually all Americans. While the 302b allocations don't provide a totally clear picture of how our nation's roads, schools, health care, environmental protection and other services will fare in the deliberations that are about to begin, they provide a framework for those decisions and they are the first real indicator of what will be possible under the numbers assigned in the budget resolution.

Specifically, the allocations for Fiscal 1998 contained in this report, give us a reasonably good notion of what will or will not be possible in the markups that are about to take place. This year's allocations will not force deep draconian cuts below prior year levels as we have faced in a number of our bills in recent years. By the same token, these allocations will not provide sufficient funds to do what many members of this body and many in the general public feel is the minimum that should be done to improve our schools, enhance our transpiration systems or ensure adequate medical care to those who have served this nation in time of war.

IMPLICATION FOR FUTURE 302b ALLOCATIONS

Whether or not this shortage of funding makes passage of at least some portion of the fiscal 1998 appropriation bills problematic will depend in large part how the committee conducts its business in the coming weeks. But these allocations should be very instructive to this Committee, to the House and the public with respect to another question: the future year spending plans contained in the bipartisan budget agreement and the budget resolution. Any careful analysis of the five year budget plan with respect to discretionary spending will reveal that extraordinary cuts will be required. If there are questions raised about the adequacy of this years funding levels and doubt as to whether some of these bills can be passed, it is clear that the prospects will be very dim for appropriation bills in future years if they are reported within the discretionary spending guidelines of the budget resolution. This fact should be confronted squarely before—rather than after the tax breaks which these proposed spending cuts are supposed to offset become law.

The budget agreement permits aggregate tax breaks totaling $135 billion over the next 5 years. It simultaneously calls for discretionary spending to be cut $138 billion below the amount the Congressional Budget Office estimates will be necessary to sustain existing programs at existing levels.

What is not well understood about the budget agreement is that while the tax cuts are at least on paper paid for by reductions in discretionary spending, those reductions are largely postponed until after the tax breaks can be safely signed into law. As a result, the first year of the budget agreement calls for relatively generous levels of discretionary spending with nearly all of the "heavy lifting" postponed until the second year and beyond. In fact, of the $91 billion in non-defense discretionary savings anticipated by the budget resolution over the 5 year period, only $25 billion will take place in the first three years and $66 billions of 72% will take place in the last three. For fiscal 1998, the year for which we are now preparing appropriation bills, the budget resolution provides only marginal reductions from the amount CBO estimates is necessary to sustain current program levels. It further provides that the statutory outlay caps on appropriation bills be raised by a total of $7 billion in order to facilitate higher levels of spending than would have been permitted under the terms of earlier budget deals. In short, this pill may be sugar coated but it ain't necessarily good for you.

WHAT IS PLANNED FOR FISCAL YEAR 2002?

The spending levels anticipated for the final two years of the 5 year agreement are truly draconian. By the fifth year, fiscal 2002, non-defense discretionary programs will be cut by a total of 12% or $30 billion below current program.

The fine print of the 1988 Budget Resolution shows how the Republican Congressional leadership would distribute this overall 12 percent real cut in the year 2002 among the functional categories of the federal budget (see following table). All Members should take a careful look at these figures, to see what is supposedly in store for us in the coming years to pay for the tax cuts now moving through Congress. Here are some examples of what they are recommending:

Administrative costs for Social Security (function 650) would be cut by 23 percent by fiscal year 2002, in inflation adjusted terms. This would mean elimination of more than 20,000 or the 83,000 employees who are presently working to distribute Social Security benefits. The current 3-month backlog in processing new claims would undoubtedly be driven to a year or more.

Veterans programs (function 700) are slated for a 19 percent real cut in fiscal year 2002—over $4 billion below what CBO says would be needed to retain the current level of service. Are these cuts going to come in hospital and medical care for veterans—which accounts for 94 percent of discretionary spending in this category? If not, where will they come?

Health programs (function 550) would cut by 16 percent under the Republican Budget Resolution plan. Half the spending in this category goes for the National Institutes of Health. Are we really planning to make a 16 percent real cut in NIH by 2002? Or are we going to make even deeper cuts in the roughly 40 percent of the category devoted to community health centers, maternal and child health, the Indian Health Service, substance abuse and mental health services, and the like?

The *community and regional development* category (function 450) is slated for a 29 percent real cut in 2002. Within this category, Community Development Block Grants plus FEMA and other disaster relief programs together account for 71 percent of spending.

These are not just isolated examples. The Budget Resolution recommends cuts of 23 percent for agriculture, 19 percent for the administrative costs of Medicare, and 16 percent for natural resources and the environment by the fifth year of the budget plan.

Cuts in defense spending are also required to offset the new tax breaks. For the most part these cuts remain unspecified. But those which have been put forward are certain to be highly controversial and while they are supported by the Secretary of Defense and the White House it is not at all clear that they can garner sufficient support to be enacted by Congress. One proposal is a 55,000 person cut in National Guard and Reserve strength levels. A second is a new round of U.S. base closures (BRAC). Rather than holding the tax package until there is a minimal assurance that Congress can move forward on any of these current proposals to reduce defense spending and to permit additional proposals to be considered to achieve the remaining savings that are necessary, the budget plan does just the opposite. This year, as we are considering the tax bill, we will go forward in the defense area with new construction, new procurement and no significant new downsizing to meet the five year spending targets in the budget agreement. Those tasks will be left to a future President and a future Congress—well after the proposed changes in tax law have been written into the U.S. Code.

All of this discussion is really trying to put forward a single point. The American people are being told that they can simultaneously enjoy tax cuts and deficit reduction. They are being told that the reason this is possible is that there will be deep cuts in "discretionary spending." But no one has explained what the term "discretionary spending" means or how its reduction affects the programs that affect peoples lives. That information is being left to this committee to convey. We are the ones whose job it will be to tell other Members of Congress and the American people: "of course we had to cut cancer research, of course we had to cut aid to schools and eliminate funds for better roads, environmental protection, medical care for veterans and land acquisition to protect our national parks. That is discretionary spending. That was what got cut." Ultimately, the country, the Congress and the committee will face a choice of cutting services that a broad segment of the American people strongly support or failing to deliver on the deficit reduction which the budget plan requires to achieve balance. Whichever of those directions we choose to take, our jobs will be less difficult if we begin to share these facts now before final actions have been taken and before the country and the Congress has a chance to fully weigh the options.

SHOULD WE BEGIN MAKING A DOWNPAYMENT?

One question that each member of Congress should ask as the Committee adopts the fiscal 1998 302b is whether he or she would be comfortable supporting a 302b allocation that would force the kinds of cuts outlined above—in other words, the kind of allocation we will be asking members of the committee in the Congress-after-next to support.

But even if we don't want to try to take the full fifth-year cut now, should we try instead to get on a steady glide path toward that cut. If we did, our allocations would look very much different than those just approved by the committee. To make steady progress toward the five-year cuts in non-defense discretionary programs required by the budget agreement would require a $4.2 billion reduction in this year's allocation.

Just getting onto this steady path toward the five-year cuts required by the budget agreement would require taking an additional $1.3 billion in budget authority out of the FY 1998 302(b) allocation for the Labor-HHS-Education bill, $1.1 billion out of the VA-HUD bill, $499 million out of the Commerce-Justice-State bill, $220 million out of the Agriculture bill, and so on (see accompanying table). If that were done, it would be highly questionable as to whether these bills could pass the House.

Attached are three tables. The first is taken from the data presented with the House Budget Resolution and compares the discretionary spending anticipated under the resolution for fiscal 2002 with the CBO baseline. The second shows how far the total non-defense discretionary numbers in the budget resolution deviate from the amounts of spending that would be permitted under a plan requiring the cuts be made in equal increments. The final table illustrates what the 302b allocation for fiscal 1998 would look like if we began implementing the spending reductions this year rather than postponing the disproportionate share for later appropriation bills.

DISCRETIONARY SPENDING UNDER BUDGET AGREEMENT—FISCAL YEAR 2002—FIFTH YEAR OF AGREEMENT—BUDGET AUTHORITY

		CBO baseline (with full inflation adjustment) [1]	Budget resolution conference report	Budget resolution compared to baseline	
				Dollar	Percent
050	Defense	307.5	289.6	−17.9	−6
	Non-Defense (total)	298.4	261.5	−36.9	−12
150	International Affairs	21.0	18.2	−2.8	−13
250	General Science, space and Tech	19.1	15.6	−3.5	−18
270	Energy	5.0	4.2	−0.7	−14
300	Natural Resources and Environment	25.2	21.2	−4.0	−16
350	Agriculture	4.9	3.8	−1.1	−23
370	Commerce and Housing Credit	3.3	2.9	−0.4	−12
400	Transportation	16.5	15.3	−1.2	−7
450	Community and Regional Development	10.7	7.6	−3.1	−29
500	Education, Training and Social Services	48.4	49.2	0.8	2
550	Health	28.8	24.2	−4.6	−16
570	Medicare (adminis- trative costs)	3.2	2.6	−0.6	−19
600	Income Security	45.4	39.6	−5.8	−13
650	Social Security (adminis- trative costs)	4.1	3.1	−1.0	−23
700	Veterans Benefits and Services	22.0	18.0	−4.1	−19
750	Administration of Justice	26.9	24.7	−2.3	−8
800	General Government	13.9	11.4	−2.6	−18
	Total, Discretionary	605.9	551.1	−54.8	−9

[1] Includes adjustment to reflect VA third-party user fees (per budget agreement).

ADDITIONAL CUTS NEEDED IF DISCRETIONARY SPENDING REDUCTIONS ARE TAKEN EVENLY OVER 5 YEARS

[Dollar amounts in billions]

	Fiscal years—					5-Year total
	1998	1999	2000	2001	2002	
Non-Defense Discretionary; Budget Authority						
CBO baseline (full inflation adjustment)	$259.1	$269.0	$278.9	$288.5	$298.4	$1,393.9
Budget Agreement	$257.9	$261.5	$261.8	$260.2	$261.5	$1,302.8
Dollar cuts below baseline	−$1.2	−$7.5	−$17.0	−$28.4	−$36.9	−$91.1
Percentage cuts below baseline	−0.5	−2.8	−6.1	−9.8	−12.4	−6.5
Steady Glide Path [1]	$253.7	$257.8	$261.2	$263.9	$266.2	$1,302.8
Dollar cuts below baseline	−$5.4	−$11.3	−$17.7	−$24.6	−$32.2	−$91.1
Percentage cuts below baseline	−2.1	−4.2	−6.3	−8.5	−10.8	−6.5

[1] Percentage cuts below baseline grow by steady 2.1 percentage points per year.

EFFECT ON FISCAL YEAR 1998 302(b) ALLOCATIONS OF PLACING APPROPRIATIONS ON A STEADY GLIDE PATH TO 5-YEAR CUTS

[Budget authority; in billions of dollars]

	Proposed allocations	Allocations needed for steady glide path	Difference
Non-Defense, total (including crime fund)	257,857	253,706	−4,151
Agriculture	13,650	13,430	−220
Commerce, Justice, State, Judiciary	30,993	30,494	−499
District of Columbia	805	792	−13
Energy and Water Development	8,960	8,816	−144
Foreign Operations	12,500	12,299	−201
Interior [1]	13,700	13,479	−221
Labor, HHS, Education	79,587	78,306	−1,281
Legislative	2,247	2,211	−36
Military Construction	0	0	0
National Security	27	27	0
Transportation	12,211	12,014	−197
Treasury, Postal Service	12,498	12,297	−201
VA, HUD, Independent Agencies [2]	70,021	68,894	−1,127
Emergency Reserve	658	647	−11

[1] Includes special allocation for land acquisition.
[2] Includes special allocation for section 8 contract renewals.

Explanatory Note: In order to place appropriations on a steady glide path toward the $91 billion in cuts in non-defense discretionary budget authority required by the budget agreement over five years, cuts below the baseline totaling $5.4 billion would be needed in FY 1998, instead of the $1.2 billion called for in the budget resolution and reflected in the proposed 602(b) allocations.

This table shows the effect of the additional $4.2 billion in cuts that would be needed, if spread proportionately over all subcommittees.

DAVE OBEY.